

felt, however, that a central bank was a necessary adjunct of a sound monetary system, and the Bank of the Republic, with a capital of \$10,000,000, was constituted in 1896 from the proceeds of a loan in London. The new institution was authorized to issue gold notes to double the amount of its capital, in denominations of \$10 and upwards, and notes to the amount of half its capital payable in gold or silver at the option of the bank, in denominations below \$10.¹ The two institutions which had survived the troubles of 1893 ^{and} 1894 were the London and River Plate Bank and the Italian Bank of the River Plate. The English bank was ordered in the autumn of 1896 to withdraw its note issues in six months, in order to leave the field clear to the Bank of the Republic. The circulation of the bank at the time was about \$3,000,000 and of the Italian bank about \$850,000.²

The authority to issue notes payable in silver was the cause of some disturbance of confidence in 1898. The difficulty was due largely, however, to the over-issue of subsidiary coins by the government in order to profit by the seigniorage. The bank had in circulation on August 31, 1898, small notes to the amount of \$1,704,139.³ It was demanded by the Chamber of Commerce of Montevideo that the proportion be reduced, and a run was made upon the bank on September 6th for the redemption, of the notes. It was shown by experience, however, that the notes were preferred to coin and that the real cause of the trouble lay elsewhere than with the bank.⁴ The gold standard has since

¹ *feconomiste Europeen*, December 19, 1896, X., 800.

² *New York Bankers' Magazine*, February, 1897, LIV., 216. The

London and River Plate Bank did business in other countries and in the troubles of 1894 carried cash to the large amount of £6,037,411, which was a more effective resource, in the opinion of the chairman of the board of directors, than any form of securities, and had much to do with enabling the bank to weather the storm of the crisis in Argentina, Uruguay, and Paraguay, which swept away so many other banking institutions.—London *Bankers' Magazine* [^] January, 1895, LIX., 98.

³ *J&conomiste Europeen*, November 4, 1898, XIV., 581.

⁴ *Ibid.*, November 23, 1898, XIV., 677.